

## Metsäliitto Group's result in 2007

### **Operating profit excluding non-recurring items was up by 22 per cent, amounting to EUR 276 million**

#### **Result in 2007**

- Sales were EUR 7,669 million (EUR 8,250 million). Comparable sales were up 5 per cent.
- Operating profit excluding non-recurring items improved by 22 per cent, amounting to EUR 276 million (EUR 227 million). Operating profit including non-recurring items was EUR -27 million (EUR 21 million).
- The result before taxes and excluding non-recurring items improved by 34 per cent, amounting to EUR 55 million (EU 41 million).

#### **Result for October-December**

- Sales EUR 1,869 million (EUR 2,095 million). Comparable sales remained at the same level as last year.
- Operating profit excluding non-recurring items decreased and stood at EUR 28 million (EUR 71 million). Operating profit after non-recurring items was EUR -211 million (EUR -100 million).
- Result before taxes and excluding non-recurring items was EUR -33 million (EUR 15 million).

#### **Fourth-quarter events**

- The divestment of M-real's Belgian carton plant, M-real Meulemans SA, finalised the restructuring programme launched in October 2006.
- M-real announced a new profit improvement programme in order to attain EUR 100 million savings by the end of 2009.
- Metsä-Botnia's plant in Uruguay started operations in November.
- Metsäliitto Cooperative purchased 14.45 per cent of Metsä Tissue's shares from the Tapiola Group. The acquisition increased Metsäliitto's holding to 70.55 per cent.

**“Of Metsäliitto Group's business operations, Wood Supply, Wood Products Industry, Pulp Industry and Tissue and Cooking Papers did well last year. However, the profit development of the Board and Paper Industry, i.e. the listed subsidiary M-real, was modest particularly because of the dramatic increase in the prices of wood raw material. We will continue to unify the Group and improve its profitability while knowing that, for example, the EU's emissions and bioenergy policies and the overall economic developments will create extremely challenging conditions for the forest industry in the future.”**

***Kari Jordan, President and CEO of Metsäliitto Group***

*Metsäliitto is the eighth largest forest industry group in the world with sales of EUR 8.0 billion and 20,000 employees. Its five business areas include wood supply, wood products industry, pulp, board and paper, and tissue and cooking papers. The Group's parent company Metsäliitto Cooperative and subsidiaries Metsä-Botnia, M-real and Metsä Tissue operate in 30 countries.*

## Metsäliitto Group

| <b>Income statement</b><br>(Continuing operations) | 2007<br>1-12 | 2006<br>1-12 | 2007<br>Q4 | 2006<br>Q4 | 2005<br>1-12 |
|----------------------------------------------------|--------------|--------------|------------|------------|--------------|
| Sales                                              | 7 669        | 8 250        | 1 869      | 2 095      | 7 643        |
| Other operating income                             | 136          | 172          | 37         | 46         | 146          |
| Operating expenses                                 | -7 126       | -7 763       | -1 767     | -1 975     | -7 206       |
| Depreciation and impairment losses                 | -706         | -638         | -350       | -266       | -551         |
| Operating profit                                   | -27          | 21           | -211       | -100       | 32           |
| Share of results in associates                     | 12           | 6            | 7          | 2          | 4            |
| Net exchange gains / losses                        | 1            | 5            | 5          | -1         | -27          |
| Other financial income & expenses                  | -228         | -198         | -66        | -58        | -168         |
| Result before tax                                  | -242         | -166         | -265       | -157       | -159         |
| Income tax                                         | -23          | -34          | 36         | 7          | 14           |
| Result from continuing operations                  | -265         | -200         | -229       | -150       | -145         |

## Metsäliitto Group

| <b>Profitability</b><br>(Continuing operations) | 2007<br>1-12 | 2006<br>1-12 | 2007<br>Q4 | 2006<br>Q4 | 2005<br>1-12 |
|-------------------------------------------------|--------------|--------------|------------|------------|--------------|
| Operating profit, EUR mill.                     | -27          | 21           | -211       | -100       | 32           |
| - " -, excluding non-recurring items            | 276          | 227          | 28         | 71         | 88           |
| Return on capital employed, %                   | 0.1          | 0.8          | -13.6      | -6.0       | 0.9          |
| - " -, excluding non-recurring items            | 5.2          | 4.2          | 2.8        | 5.2        | 1.9          |
| Return on equity, %                             | -12.0        | -8.0         | -42.1      | -24.1      | -5.3         |
| - " -, excluding non-recurring items            | 1.4          | 0.3          | 0.5        | 3.6        | -3.1         |

| <b>Financial position</b>                   | 2007<br>1-12 | 2006<br>1-12 | 2007<br>Q4 | 2006<br>Q4 | 2005<br>1-12 |
|---------------------------------------------|--------------|--------------|------------|------------|--------------|
| Equity ratio, %                             | 27.0         | 28.0         | 27.0       | 28.0       | 30.5         |
| Net gearing ratio, %                        | 157          | 150          | 157        | 150        | 137          |
| Interest-bearing net liabilities, EUR mill. | 3 271        | 3 524        | 3 271      | 3 524      | 3 631        |

## Business areas

| <b>Sales and Operating profit</b><br><b>2007</b><br>(EUR mill.) | Wood           |                      | Pulp *) | Board and Tissue and |                   |
|-----------------------------------------------------------------|----------------|----------------------|---------|----------------------|-------------------|
|                                                                 | Wood<br>Supply | Products<br>Industry |         | Paper<br>Industry    | Cooking<br>Papers |
| Sales                                                           | 1 735          | 1 399                | 1 371   | 4 440                | 861               |
| Other operating income                                          | 9              | 9                    | 30      | 239                  | 8                 |
| Operating expenses                                              | -1 701         | -1 274               | -1 112  | -4 235               | -785              |
| Depreciation & impairment losses                                | -5             | -47                  | -103    | -564                 | -49               |
| Operating profit                                                | 38             | 87                   | 186     | -120                 | 35                |

\*) Represents 100%. The Metsäliitto Group consolidates 53% of the Pulp Industry.

According to IFRS standards Map Merchant's merchant business has been treated as discontinued operations. In the income statement Map has been shown on the line Result from discontinued operations.

The figures are unaudited

## METSÄLIITTO GROUP

### FINANCIAL STATEMENTS 2007

#### Sales and result

Metsäliitto Group's sales for 2007 were EUR 7,669 million (8,250). As a result of divestments and capacity closures, sales fell by 7 per cent from last year. Comparable sales were up 5 per cent.

The figures for the comparison years have also been adjusted because of the divestment of the Map Merchant Group paper wholesale business. As a result of the divestment, Metsäliitto Group's sales in 2006 decreased by EUR 1,021 million and in 2005 by EUR 1,000 million.

Operating profit excluding non-recurring items was EUR 276 million (227). Net non-recurring items totalled EUR -303 million (-206), of which EUR -59 million (0) were recognised during the first quarter of the year, EUR -11 million (-37) during the second quarter of the year and EUR +5 million (+3) during the third quarter of the year. Most of these non-recurring items were related to M-real's profit improvement programmes.

During the last quarter, net non-recurring items totalled EUR -239 million (-172). The most significant of these items was the impairment loss of EUR 185 million from the goodwill of M-real's Office Papers business. M-real also recognised approximately EUR 73 million as other write-downs and cost provisions. These were related to the closures of the BCTMP mill in Lielähti and paper machine 2 at the Kangas mill. EUR 19 million was recognised as non-recurring income.

The operating profit for 2007 including non-recurring items was EUR -27 million (21).

The Group's net financial expenses were 2.8 per cent of sales (2.3). Financial income was EUR 26 million (22), shares in associate companies were EUR 12 million (6) and financial expenses were EUR 254 million (220). Net exchange gains recognised in financial items were EUR 1 million (5). At the end of the year the exchange rate of the US dollar against the Euro was 11.8 per cent weaker and that of the pound sterling 9.2 per cent weaker than at the beginning of the year. On average, the dollar weakened by 9.2 per cent and the pound by 0.4 per cent during the year.

The result before taxes was EUR -242 million (-166) and taxes, including changes in deferred tax liability, were EUR 24 million (34). The result for continuing operations was EUR -265 million (-200), the result for discontinued operations was EUR 55 million (-59) and the result for the financial period was EUR -210 million (-259).

The sales gain from Map Merchant Group before taxes, EUR 77 million, is included in the result for discontinued operations. The sales price will be specified later. The

sales price may decrease by a maximum of EUR 30 million, depending on its final adjustment.

Of the result, EUR -9 million (-25) was attributable to the owners of the parent company and EUR -201 million (-234) to the minority.

The Group's return on capital employed for continuing operations was 0.1 per cent (0.8) and return on equity was -12.0 per cent (-8.0). Excluding non-recurring items, return on capital employed was 5.2 per cent (4.2) and return on equity was 1.4 per cent (0.3).

## **Balance sheet and financing**

Metsäliitto Group's total liquidity was EUR 1.6 billion (2.0) at the close of the year. Of this, EUR 0.4 billion (0.2) was in terms of liquid assets and investments, and EUR 1.2 billion (1.8) in binding credit facility agreements not included in the balance sheet. In addition, the Group can satisfy short-term financial needs with non-binding commercial paper schemes in Finland and abroad, as well as credit lines amounting to approximately EUR 0.6 billion.

In December the Group's equity ratio was 27.0 per cent and gearing 157 per cent (28.0% and 150%, respectively). Interest-bearing net liabilities stood at EUR 3,271 million (3,524). The equity ratio of the parent company, Metsäliitto Cooperative, was 55.0 per cent at the close of the year and gearing ratio 37 per cent (51.7% and 23%, respectively).

Metsäliitto Cooperative's members' capital increased by EUR 21.5 million net from January to December. The actual members' capital grew by EUR 7.5 million, the additional members' capital A by EUR 13.8 million and the additional members' capital B by EUR 0.2 million. At the close of the year Metsäliitto Cooperative had 131,032 members (131,139).

## **Personnel**

The Group employed an average of 21,596 people (26,363) in 2007. The reduction in the number of personnel was a result of the divestments and restructuring. At the end of December the personnel totalled 20,105 (22,593). The parent company, Metsäliitto Cooperative, employed 3,165 people (3,158) at the end of the year.

## **Discontinued operations**

The divestment of the Map Merchant Group was confirmed in October. In accordance with IFRS regulations, the result of the discontinued operations is shown on a separate line in the income statement after the result of Metsäliitto Group's continuing operations. The income statements of comparison years have been adjusted accordingly.

## **M-real's action programmes**

M-real's profit improvement and restructuring programmes, which were launched in October 2006 and February 2007, were finalised at the end of the year. The targets of

both programmes were exceeded. The target of the programme announced in October 2006 to sell asset items for EUR 500 million was exceeded by approximately EUR 200 million. The programme included the closures of the Sittingbourne fine paper mill, fine paper machines 6 and 7 in Gohrsmühle and, in July, the Wifsta fine paper mill in Sweden. The objective of the profit improvement programme for Finnish operations, which was launched in February 2007, was to achieve annual cost savings of approximately EUR 40 million as from the beginning of 2009. The number of personnel was estimated to decrease by approximately 600. In accordance with the programme, Tako board mill's board machine line 2 was closed in the summer.

In November, M-real announced a new programme, according to which the aim is to improve the profit by at least EUR 100 million by the end of 2009. The programme includes plans to close down the BCTMP mill in Lielähti and paper machine 2 producing coated magazine paper at the Kangas mill, the reorganisation of business areas and the streamlining of the coated magazine paper business and the sales and marketing organisation. The personnel are estimated to decrease by a total of 500, of whom 200 work in Finland and 300 overseas.

## **Investments, acquisitions and divestments in 2007**

Metsäliitto Group's capital expenditure and corporate acquisitions totalled EUR 493 million (735). The figure includes the share of Metsä-Botnia's total investments corresponding to Metsäliitto's holding, EUR 217 million (302).

### *Investments in fixed assets*

Metsäliitto Wood Products Industry will improve the birch plywood processing technology and, particularly, the solutions it offers to industrial customers by building a new birch plywood upgrading mill in Suolahti. The construction of the mill started in the summer and the mill came into operation at the beginning of 2008. The new unit will employ some 20 people, and the costs of the project are estimated to be EUR 15 million.

M-real exercised its purchase option for the gas combi power plant in Kyröskoski and the land on which the Kyröskoski mills are located. The acquisition, which was worth approximately EUR 13 million, was finalised in July.

The bleaching alteration investment at Metsä-Botnia's Rauma mill was introduced in June. The investment enhanced cost efficiency, improved the quality of pulp and increased the mill's production capacity. The total cost of the investment was more than EUR 40 million.

### *Acquisitions and divestments*

In January 2007 M-real sold nine per cent of Metsä-Botnia's shares to Metsäliitto Cooperative. The deal was worth EUR 240 million, for which M-real recognised a sales gain of EUR 135 million. The gain is eliminated in Metsäliitto Group's financial statements.

Metsä-Botnia's Russian subsidiary Svir Timber acquired two Russian harvesting companies in February. The deal will enhance wood supply for the Svir Timber sawmill and Metsä-Botnia's long-term strategy in Russia.

Metsäliitto Cooperative sold its entire holding in Neomarkka plc during the year in two batches, in May and December.

M-real's carton plants in Finland and Hungary were divested in May and June. The entire share capital of the subsidiary Tako Carton Plan Ltd was sold to Pyroll Ltd and the entire share capital of the Hungarian subsidiary M-real Petöfi Nyomda Kft was sold to the German STI Group. The aggregate debt-free selling price of these plants was approximately EUR 35 million. An approximately EUR 2 million loss was recognised for the deals.

M-real's strategic review continued in July when M-real sold the Map Merchant Group to Antalis. The EU's Commission accepted the deal on 24 October. The total value of the deal was EUR 382 million, and M-real has recognised an estimated sales gain of EUR 77 million in the financial statements.

In October M-real announced that it would sell its Zanders Reflex mill, which manufactured specialty paper in Germany, to Arjowiggins Group. The deal was estimated to take place towards the end of 2007 but the required approval from the competition authorities has not yet been obtained.

Metsäliitto Cooperative sold its Lithuanian wood supply company Metsäliitto Lietuva UAB to the company's Managing Director in October. In connection with this, the parties signed a multi-year wood supply agreement.

In November Metsäliitto Cooperative purchased 14.45 per cent of the shares of its subsidiary Metsä Tissue from the Tapiola Group. The acquisition increased Metsäliitto's holding to 70.55 per cent.

Metsäliitto Wood Products Industry improved its opportunities to serve do-it-yourself and wholesale customers in France and the Iberian Peninsula by acquiring the business of the French wood processor Gillet S.A. at the end of November. The company's sales in 2006 were EUR 6 million and it employs 57 people.

The restructuring programme that M-real announced in October 2006 was finalised in December 2007 when M-real sold the entire share capital of its carton plant in Belgium, M-real Meulemans SA, to the French Autajon Group.

### *Pulp mill project in Uruguay*

Metsä-Botnia's pulp mill in Uruguay was granted the start-up permit on 8 November 2007. A week later the mill was already producing approximately 2,000 tonnes of pulp per day. The pulp mill is Metsä-Botnia's sixth mill and the first production plant built outside Finland. Its annual production capacity is one million tonnes of eucalyptus pulp, which will be exported to the European and Asian markets. The construction of

the mill started in the spring of 2005 and its budget was approximately USD 1.2 billion.

## Business areas

### *Wood supply*

Wood Supply sales in 2007 were EUR 1,735 million (1,444) and operating profit amounted to EUR 38 million (38). The operating profit includes about EUR 3 million (10) of non-recurring income, mainly gains from selling fixed assets. Wood Supply Finland accounted for EUR 1,196 million (1,150) of the sales and EUR 27 million (21) of the operating profit. Metsäliitto's Wood Supply business was reorganised in 2007 and the new organisation was introduced in September. Supply districts were reinforced while the earlier regional organisation consisting of five supply areas was abolished.

Metsäliitto supplied approximately 36 million cubic metres (35) of wood to its customers in 2007. Of this, almost two-thirds came from Finland, mainly from members of Metsäliitto Cooperation. Deliveries of wood, including wood chips, to mills in Finland totalled approximately 27.9 million cubic metres (26.8); of this, round wood accounted for 24.5 million cubic metres (23.1). Wood imports to Finland totalled 3.6 million cubic metres (3.9).

Wood trade in Finland was brisk from the beginning of the year. The steep rise in the price of softwood sawn timber raised log prices to the highest level in 30 years and supply was largely dominated by logs throughout the year. A summer logging campaign was launched in the spring to boost pulpwood procurement; as a result, Metsäliitto procured a third more thinning wood than it generally does in the corresponding period. A change in the supply/demand trend for sawn timber reversed the price level of softwood logs to a downward turn after the summer and the price development for pulpwood levelled off. In 2007 Metsäliitto purchased more than 18 million cubic metres of wood (16) from Finland.

Metsäliitto procured a total of 2.8 million cubic metres (3.4) of wood raw material from Russia. Pulpwood and wood chips were imported to Finland and Sweden, and logs were delivered to Metsä-Botnia's Svir Timber sawmill. The export tax, which was introduced at the beginning of July, was EUR 10 per cubic metre for softwood and heavy birch and EUR 5 for aspen. Wood imports from Russia to Finland decreased by approximately a fourth from the previous years' level.

The disappointing winter harvest season overheated the wood trade in the Baltic countries. Prices of wood, especially pulpwood, were very high. Despite fierce competition, Metsäliitto was able to fulfil its contractual obligations and supply logs to local sawmills in the Baltic countries, as well as pulpwood and wood chips to the Group's mills in Finland and Sweden. The total wood raw material procurement volume in the Baltic countries amounted to 2.5 million cubic metres (2.7).

The mild winter in Central Europe alleviated the price pressure generated by the fuel wood supply, particularly in France. In Germany and Austria, the prices of energy wood and pulpwood remained in check, partly because of the damage caused by the storms early in the year.

### *Wood Products Industry*

Metsäliitto Wood Products Industry's sales amounted to EUR 1,399 million (2,045) and operating profit was EUR 87 million (107). The drop was due to the divestment of Moelven Industrier ASA, which had an approximately EUR 765 million impact on the sales during the comparison year and an approximately EUR 42 million impact on operating profit. The operating profit for 2006 also included approximately EUR 12 million of non-recurring income. The comparable sales of the Wood Products Industry were up 8 per cent.

The improvement of the value-added level of the product range and services contributed to the positive development of selling prices, but the result was weighed down by a sharp increase in log prices and a weaker demand during the last quarter. The Wood Products Industry had to restrict the production of sawn timber at the Vilppula and Soinlahti sawmills towards the end of the year in order to adjust its production to the changing market situation.

After a re-focus of business operations, Metsäliitto Wood Products Industry started their active development. This activity is backed up by investment decisions on the construction of a birch plywood processing plant in Suolahti, which started operations at the beginning of 2008, and the revamping of the processing line at the Boston mill in the UK during the second quarter of 2008.

Other business restructuring measures aiming at the improvement of added value and services included the acquisition of the Gillet timber upgrading company in France in November and the acquisition of iLevel's European engineered wood products business from Weyerhaeuser in January 2008.

Businesses that did not support the strategy were sold as part of the re-focusing process. The official approval for the divestment of the Norwegian subsidiary Moelven Industrier ASA was obtained in January 2007, and Interpan North America, a company specialising in wood product trading, was sold in December.

### *Pulp*

Pulp Industry's sales stood at EUR 1,371 million (1,311), and operating profit was EUR 186 million (212). Both sales and operating profit improved due to the strong development of pulp prices. The USD price of Northern long-fibre pulp increased by 19 per cent and the EUR price by 7 per cent during the year. For short-fibre pulp (eucalyptus and birch), the USD prices increased by 16 per cent and the EUR prices by 4 per cent. The manifest weakening of the dollar and the dramatic increases in raw wood material prices had a negative effect on the result.

The amount of pulp produced was approximately 2.6 million tonnes (2.5). The figure was approximately 100,000 tonnes below the year's target; half of the shortfall was due to wood shortage and half to production disturbances. Softwood pulp accounted for 66 per cent of the production (69).

Pulp supply and demand was fairly balanced in 2007 and manufacturers' pulp stocks remained on a normal level. More than 3 million tonnes of new short-fibre pulp capacity were built; two-thirds of the new capacity did not commence until towards the end of the year.

The pulp mill investment in Uruguay was finished as planned in early September but the permission to start up the mill was not granted until 8 November because of a political dispute between Uruguay and Argentina. The investment expenses remained below the original budget. The start-up of the mill was successful and both the production quantities and quality exceeded the preliminary estimates. Stringent environmental permit conditions have been fulfilled in all sectors. We intend to actively contribute to solving all unsettled political issues related to the mill.

M-real's result includes 30 per cent (2006: 39%) of the Pulp Industry's operating profit. In total, 53 per cent of the figures for Pulp Industry are consolidated into Metsäliitto Group's financial statements.

### *Board and Paper*

Board and Paper Industry's sales totalled EUR 4,440 million (4,604) for the continuing operations, and operating profit excluding non-recurring items was EUR 49 million (18).

Compared with the previous year, the operating profit was boosted by cost-saving measures and the 9 per cent increase in the price of uncoated fine paper. In addition, the Consumer Packaging business area clearly improved its profitability, mainly due to higher delivery volumes.

Operating profit was reduced by the weakening U.S. dollar, which was 9 per cent lower on average, the sharp increase in pulpwood prices and the lowering of the average selling price of coated magazine paper.

Net non-recurring items totalled EUR -169 million (-247) in January-December. M-real's first-quarter operating profit included a non-recurring income of EUR 135 million from the sale of Metsä-Botnia's shares to Metsäliitto Cooperative and a total of EUR 62 million as non-recurring expenses. The most important expense items were the EUR 14 million and EUR 29 million cost provisions for completing the closure of the mills at Sittingbourne and Wifsta respectively. In addition, EUR 16 million was recognised as an impairment loss. During the second quarter M-real recognised a total of EUR 13 million as non-recurring expenses, of which EUR 11 million represented cost provisions and write-downs of fixed assets related to the profit improvement programme for the company's operations in Finland. The remaining EUR 2 million represented losses on the sale of the carton plants. During the third

quarter the cost provision for completing the closure of the Sittingbourne mill was reduced by EUR 7 million.

Net non-recurring items totalled EUR -239 million during the last quarter. The most significant of these items was the impairment loss of EUR 185 million from the goodwill of M-real's Office Papers business. In addition, M-real recognised net write-downs and cost provisions of approximately EUR 73 million, for example, in relation to the closures of the BCTMP mill in Lielahiti and paper machine 2 at the Kangas mill. Approximately EUR 18 million was recognised as non-recurring income from the sale of fixed assets.

Operating profit including non-recurring items was EUR -120 million (-229). Net interest and other financial expenses totalled EUR 147 million (121), shares in associate companies were EUR -3 million (0) and net exchange gains/losses recognised as financial items were EUR -3 million (-1).

The result for continuing operations before taxes was EUR -273 million (-351), earnings per share were EUR -0.76 (-1.03) and the return on capital employed was -2.6 per cent (-4.7). Excluding non-recurring items, the result before taxes was EUR -104 million (-104), earnings per share were EUR -0.32 (-0.47) and return on capital employed was 1.4 per cent (0.9).

M-real's equity ratio was 32.1 per cent at the end of December and net gearing ratio was 112 per cent (31 December 2006: 30.9% and 126% respectively). In some of M-real's borrowing arrangements a limit of 120 per cent has been set for gearing and a limit of 30 per cent for the equity ratio. At the end of the year, gearing calculated in the manner defined in the borrowing agreements was approximately 95 per cent (111) and the equity ratio about 37 per cent (36).

### *Tissue and Cooking Papers*

Sales of Metsä Tissue, which produces tissue and cooking papers, stood at EUR 861 million (799), and its operating profit was EUR 35 million (19). The operating profit includes a non-recurring expense of approximately EUR 2 million related to the closure of the processing plant in the Canary Islands. Comparable sales were up approximately 4 per cent.

Most of the increase in cost level was transferred to selling prices, and the sale of the company's own brands, such as Lambi, Serla, Katrin, Mola and Tento, increased. Metsä Tissue is the market leader in Scandinavia, the Baltic countries and Poland, and its business in Western and Eastern Europe is growing strongly.

The consumer market for tissue paper is in the middle of considerable change. The retail sector, which is the main distributor of consumer products, continues to concentrate. The increasing size and internationalisation of retail chains are enhancing the purchasing power of retailers in relation to manufacturers. No corresponding internationalisation has yet taken place in the large-scale consumer market, where most distributors continue to be local actors.

Other factors affecting the market include increasing costs and the demands for increasingly precise logistics solutions and more extensive environmental and corporate responsibility.

Metsä Tissue's investments during the year totalled EUR 25 million. The biggest investments were made in an increase in the quality level of de-inking in Sweden and the development of processing in Germany and Finland.

### **Events after the review period**

On 6 February 2008 M-real announced an additional divestment target of a minimum of EUR 200 million, which will be pursued during next 12 months. The target includes the sale of the New Thames mill announced in the beginning of February 2008.

In February, 2008 M-real made an agreement to sell its New Thames office paper mill located in Kemsley, UK, to DS Smith Plc. The debt selling price was GBP 60 million. It is estimated that the transaction will have a positive impact of about EUR 60 million on cash flow, of which about EUR 40 million will arise when the transaction is completed and about EUR 20 million in the following 12 months. In addition, M-real will be freed from about EUR 35 million closure costs previously provided for the period 2008-2015 related to the closure of the Sittingbourne mill. No significant capital gain or loss is expected to arise from the transaction. The transaction has no significant impact on M-real's operating profit excluding non-recurring items. The sale will be booked in the result for the first quarter of 2008. The transaction is subject to approval by the competition authorities.

The Wood Products Industry's Building Solutions business line was reinforced in January 2008 when Metsäliitto Wood Products Industry purchased the US-based Weyerhaeuser's European iLevel business. The deal includes the sale and distribution of and technical support for iLevel's engineered wood products. Engineered wood products refer to structural components manufactured from wood by gluing, such as I-joists used in load-bearing structures. The purchased business employs more than 30 people.

### **Risks and uncertainties**

Since the forward-looking statements in this report are based on current plans, estimates and projections, they involve risks and uncertainties which may cause actual results to differ from those expressed in such forward-looking statements. Information regarding the risk factors is presented in the Metsäliitto Group's Annual Report.

### **Outlook**

Metsäliitto's wood reserves at the beginning of the year were good, and wood trade during the current year is expected to continue last year's brisk trend. The need for pulpwood in Finland is expected to remain on a high level, and the development of the market situation for sawn timber will affect the demand for logs. The demand/supply relationship of pulpwood in Russia and the Baltic countries is

beginning to level off, so that wood prices in these countries are expected to decrease. Mild weather conditions may further jeopardise the supply of pulpwood.

The building sector is estimated to continue its strong growth in Eastern Europe and Russia, whereas a slowdown in this sector can be seen in Western Europe. The prospects for the Wood Products Industry's industrial customers are currently good, but the strong Euro and the economic outlook for the USA may have an adverse impact on the situation. However, the long-term outlook for the Wood Products Industry is positive as there are a number of factors supporting the use of wood in building and the future of wood use, including the fact that wood is a highly ecological building material. The availability of competitively priced roundwood will be a critical factor for the result for 2008.

Two to three million tonnes of new short-fibre pulp capacity will enter the pulp market during the first half of the year. However, thanks to the sustained development of production efficiency and product quality, Metsä-Botnia's competitiveness is good. The successful start-up of the Uruguay mill will reinforce the company's economic outlook for 2008 and the operating profit is expected to exceed the year 2007 level.

The seasonal demand for M-real's main products is expected to improve slightly during the first quarter of 2008. Average utilisation rates will be very high at the beginning of the year. Measures are under way to boost the prices of coated magazine paper and folding boxboard. Price increases are also being negotiated for fine papers.

Transferring the increasing raw material, energy and transportation costs to selling prices, enhancing the competitiveness of production, product development and marketing continue to be the biggest challenges for the Tissue business this year. However, the increasing demand for tissue papers is stabilising the business.

Metsäliitto Group's operating result excluding non-recurring items in the first quarter of 2008 is expected to remain weaker than in last year's first quarter. Thanks to the profit improvement measures that have already been taken or are ongoing, Metsäliitto Group estimates that the operating profit excluding non-recurring items will be higher for the entire year 2008 than for 2007, provided that no significant changes in the business environment will take place.

## **Proposal for interest on members' capital**

Metsäliitto Cooperative's Board of Directors has decided to propose to the Supervisory Board that, for 2007, interest of 6.5 per cent (6.0) be paid for the statutory capital invested by its members. Interest of 5.5% (5.0) is proposed for additional members' capital A, and interest of 4.0% (3.5) for additional members' capital B.

The proposal of the Board of Directors will be dealt with in March by Metsäliitto Cooperative's Supervisory Board, which, in turn, will make a proposal on the interest on members' capital to the Representative Council meeting in April.

Espoo, 6 February 2008

Metsäliitto Group  
Board of Directors

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Unaudited

## METSÄLIITTO GROUP

| <b>Income statement</b><br>(EUR mill.) | 2007<br>1-12 | 2006<br>1-12 | Change | 2007<br>Q4 | 2006<br>Q4 | 2005<br>1-12 |
|----------------------------------------|--------------|--------------|--------|------------|------------|--------------|
| Sales                                  | 7 669        | 8 250        | -581   | 1 869      | 2 095      | 7 643        |
| Other operating income                 | 136          | 172          | -36    | 37         | 46         | 146          |
| Materials and services                 | -4 988       | -5 279       | 291    | -1 265     | -1 563     | -4 634       |
| Employee costs                         | -1 126       | -1 327       | 201    | -278       | -337       | -1 308       |
| Other operating expenses               | -1 012       | -1 157       | 145    | -224       | -75        | -1 264       |
| Depreciation and impairment losses     | -706         | -638         | -68    | -350       | -266       | -551         |
| Operating profit                       | -27          | 21           | -48    | -211       | -100       | 32           |
| Share of results in associates         | 12           | 6            | 6      | 7          | 2          | 4            |
| Net exchange gains / losses            | 1            | 5            | -4     | 5          | -1         | -27          |
| Other financial income                 | 26           | 22           | 4      | 3          | 6          | 22           |
| Other financial expenses               | -254         | -220         | -34    | -69        | -64        | -190         |
| Result before tax                      | -242         | -166         | -76    | -265       | -157       | -159         |
| Income taxes                           | -23          | -34          | 11     | 36         | 7          | 14           |
| Result from continuing operations      | -265         | -200         | -65    | -229       | -150       | -145         |
| Result from discontinued operations    | 55           | -59          | 114    | 56         | -61        | 1            |
| Net result for the period              | -210         | -259         | 49     | -173       | -211       | -144         |

Attributable to

|                          |      |      |    |      |      |      |
|--------------------------|------|------|----|------|------|------|
| Owners of parent company | -9   | -25  | 16 | -59  | -52  | -50  |
| Minority interest        | -201 | -234 | 33 | -114 | -159 | -94  |
|                          | -210 | -259 | 49 | -173 | -211 | -144 |

Unaudited

|                                          | 2007         | 2006         | 2005         |
|------------------------------------------|--------------|--------------|--------------|
| <b>Balance sheet</b>                     | 31.12.       | 31.12.       | 31.12.       |
| <b>ASSETS</b>                            |              |              |              |
| Non-current assets                       |              |              |              |
| Intangible assets                        | 389          | 617          | 818          |
| Tangible assets                          | 4 021        | 4 197        | 4 256        |
| Biological assets                        | 83           | 71           | 51           |
| Shares in associated and other companies | 204          | 197          | 186          |
| Interest-bearing receivables             | 32           | 52           | 68           |
| Deferred tax receivables                 | 46           | 77           | 96           |
| Other non-interest-bearing receivables   | 12           | 13           | 15           |
|                                          | <u>4 787</u> | <u>5 225</u> | <u>5 490</u> |
| Current assets                           |              |              |              |
| Inventories                              | 1 132        | 1 095        | 1 293        |
| Interest-bearing receivables             | 27           | 145          | 5            |
| Non-interest-bearing receivables         | 1 358        | 1 617        | 1 706        |
| Cash and cash equivalents                | 428          | 246          | 194          |
|                                          | <u>2 945</u> | <u>3 103</u> | <u>3 199</u> |
| Assets classified as held for sale       |              | 103          |              |
| <b>TOTAL</b>                             | <u>7 732</u> | <u>8 431</u> | <u>8 689</u> |
| <b>MEMBERS' FUNDS AND LIABILITIES</b>    |              |              |              |
| Members' funds                           | 1 235        | 1 289        | 1 328        |
| Minority interest                        | 847          | 1 064        | 1 317        |
| Total members' funds                     | <u>2 082</u> | <u>2 353</u> | <u>2 646</u> |
| Non-current liabilities                  |              |              |              |
| Deferred tax liabilities                 | 325          | 382          | 439          |
| Retirement benefit obligations           | 195          | 238          | 270          |
| Provisions                               | 83           | 91           | 74           |
| Other non-interest-bearing liabilities   | 50           | 56           | 90           |
| Interest-bearing liabilities             | 3 011        | 3 455        | 2 915        |
|                                          | <u>3 664</u> | <u>4 222</u> | <u>3 788</u> |
| Current liabilities                      |              |              |              |
| Non-interest-bearing liabilities         | 1 240        | 1 314        | 1 273        |
| Interest-bearing liabilities             | 747          | 512          | 983          |
|                                          | <u>1 987</u> | <u>1 826</u> | <u>2 256</u> |
| Total liabilities                        | 5 650        | 6 048        | 6 044        |
| Liabilities classified as held for sale  |              | 30           |              |
| <b>TOTAL</b>                             | <u>7 732</u> | <u>8 431</u> | <u>8 689</u> |

| Change in members' funds<br>EUR mill.           | Members' capital | Share premium account | Trans-lation differ-ences | Fair value and other reserves | Retained earnings | Minority interest | Total |
|-------------------------------------------------|------------------|-----------------------|---------------------------|-------------------------------|-------------------|-------------------|-------|
| <b>Members' funds 1.1.2006</b>                  | 558              | 32                    | 6                         | 42                            | 690               | 1 317             | 2 646 |
| Currency flow hedges                            |                  |                       |                           |                               |                   |                   |       |
| recorded in equity                              |                  |                       |                           | 6                             |                   | 10                | 16    |
| transferred to sales                            |                  |                       |                           | 1                             |                   | 1                 | 2     |
| Interest flow hedges                            |                  |                       |                           |                               |                   |                   |       |
| recorded in equity                              |                  |                       |                           | 2                             |                   | 2                 | 4     |
| transferred to financial items                  |                  |                       |                           | 0                             |                   | 0                 | 0     |
| Commodity hedges                                |                  |                       |                           |                               |                   |                   |       |
| recorded in equity                              |                  |                       |                           | -3                            |                   | -5                | -8    |
| transferred to purchases                        |                  |                       |                           | 1                             |                   | 0                 | 1     |
| Assets classified as held for sale              |                  |                       |                           |                               |                   |                   |       |
| recognised to fair value                        |                  |                       |                           | 1                             |                   |                   | 1     |
| transferred to financial items                  |                  |                       |                           | 0                             |                   |                   | 0     |
| Translation differences                         |                  |                       | -1                        |                               |                   | -2                | -3    |
| Net investment hedges                           |                  |                       | 1                         |                               |                   | 1                 | 2     |
| Other items                                     |                  |                       |                           |                               | 2                 | 1                 | 3     |
| Tax on equity components                        |                  |                       |                           | -2                            |                   |                   | -2    |
| Recognised directly in equity                   | 0                | 0                     | 0                         | 5                             | 2                 | 8                 | 16    |
| Result for the period                           |                  |                       |                           |                               | -25               | -233              | -259  |
| Total                                           | 0                | 0                     | 0                         | 5                             | -23               | -225              | -243  |
| Dividends paid                                  |                  |                       |                           |                               | -37               | -24               | -62   |
| Increase in members' capital, other changes     | 19               |                       |                           | -1                            |                   |                   | 18    |
| Change in share premium account                 |                  | -2                    |                           |                               |                   |                   | -2    |
| Change in revaluation reserve                   |                  |                       |                           |                               |                   |                   | 0     |
| Transfer from unrestricted to restricted equity |                  |                       |                           | 2                             | -2                |                   | 0     |
| Business arrangements                           |                  |                       |                           |                               |                   | -4                | -4    |
| Total                                           | 19               | -2                    | 0                         | 1                             | -39               | -28               | -50   |
| <b>Members' funds 31.12.2006</b>                | 577              | 30                    | 6                         | 48                            | 628               | 1 064             | 2 353 |

| Change in members' funds<br>EUR mill.           | Members' capital | Share premium account | Trans-lation differ-ences | Fair value and other reserves | Retained earnings | Minority interest | Total |
|-------------------------------------------------|------------------|-----------------------|---------------------------|-------------------------------|-------------------|-------------------|-------|
| <b>Members' funds 1.1.2007</b>                  | 577              | 30                    | 6                         | 48                            | 628               | 1 064             | 2 353 |
| Currency flow hedges                            |                  |                       |                           |                               |                   |                   |       |
| recorded in equity                              |                  |                       |                           | 3                             |                   | 5                 | 8     |
| transferred to sales                            |                  |                       |                           | -9                            |                   | -13               | -22   |
| Interest flow hedges                            |                  |                       |                           |                               |                   |                   |       |
| recorded in equity                              |                  |                       |                           |                               |                   |                   | 0     |
| transferred to financial items                  |                  |                       |                           |                               |                   |                   | 0     |
| Commodity hedges                                |                  |                       |                           |                               |                   |                   |       |
| recorded in equity                              |                  |                       |                           | 6                             |                   | 6                 | 12    |
| transferred to purchases                        |                  |                       |                           | 3                             |                   | 6                 | 9     |
| Assets classified as held for sale              |                  |                       |                           |                               |                   |                   |       |
| recognised to fair value                        |                  |                       |                           |                               |                   |                   | 0     |
| transferred to financial items                  |                  |                       |                           |                               |                   |                   | 0     |
| Translation differences                         |                  |                       | -26                       |                               |                   | -19               | -45   |
| Net investment hedges                           |                  |                       | 17                        |                               |                   | 16                | 33    |
| Other items                                     |                  |                       |                           |                               | -4                | -1                | -5    |
| Tax on equity components                        |                  |                       | -4                        | -1                            |                   | -5                | -10   |
| Recognised directly in equity                   | 0                | 0                     | -13                       | 2                             | -4                | -5                | -20   |
| Result for the period                           |                  |                       |                           |                               | -9                | -202              | -211  |
| Total                                           | 0                | 0                     | -13                       | 2                             | -13               | -207              | -231  |
| Dividends paid                                  |                  |                       |                           |                               | -29               | -13               | -42   |
| Increase in members' capital, other changes     | -2               |                       |                           |                               |                   |                   | -2    |
| Change in share premium account                 |                  |                       |                           |                               |                   |                   | 0     |
| Change in revaluation reserve                   |                  |                       |                           |                               |                   |                   | 0     |
| Transfer from unrestricted to restricted equity |                  |                       |                           | 3                             | -3                |                   | 0     |
| Business arrangements                           |                  |                       |                           |                               |                   | 4                 | 4     |
| Total                                           | -2               | 0                     | 0                         | 3                             | -32               | -9                | -40   |
| <b>Members' funds 31.12.2007</b>                | 574              | 30                    | -7                        | 54                            | 583               | 847               | 2 082 |

| Unaudited                                           |      |      |
|-----------------------------------------------------|------|------|
| <b>Cash flow statement</b>                          | 2007 | 2006 |
| <b>(EUR mill.)</b>                                  | 1-12 | 1-12 |
| Cash flow from operations                           |      |      |
| Result for the period                               | -211 | -259 |
| Adjustments total                                   | 859  | 898  |
| Change in working capital                           | -34  | 193  |
| Cash generated from operations                      | 614  | 833  |
| Finance costs, net                                  | -265 | -189 |
| Income taxes paid                                   | -78  | -54  |
| Net cash from operations                            | 272  | 590  |
| Cash flow from investments                          |      |      |
| Acquisitions                                        | -46  | -136 |
| Purchases of assets                                 | -447 | -608 |
| Sold assets and others                              | 447  | 69   |
| Net cash from investments                           | -45  | -675 |
| Cash flow from financing                            |      |      |
| Increase in equity                                  | 29   | 98   |
| Change in long-term loans and other financial items | -21  | 104  |
| Dividends paid                                      | -51  | -62  |
| Net cash flow from financing                        | -42  | 140  |
| Change in cash and cash equivalents                 | 184  | 55   |
| Cash at beginning of period                         | 246  | 194  |
| Translation difference                              | -3   | -2   |
| Change in cash and cash equivalents                 | 184  | 55   |
| Cash in assets classified as held for sale          | 0    | -1   |
| Cash at end of period                               | 428  | 246  |

Unaudited

## BUSINESS SEGMENTS

| <b>Consumer Packaging</b>        | I-IV/07 | I-IV/06 | QIV/07 | QIV/06 | I-IV/05 |
|----------------------------------|---------|---------|--------|--------|---------|
| Sales                            | 934     | 971     | 225    | 241    | 864     |
| EBITDA                           | 172     | 154     | 31     | 32     | 134     |
| Depreciation & impairment losses | -93     | -96     | -28    | -27    | -89     |
| Operating profit                 | 79      | 58      | 3      | 5      | 45      |

| <b>Papers</b>                    | I-IV/07 | I-IV/06 | QIV/07 | QIV/06 | I-IV/05 |
|----------------------------------|---------|---------|--------|--------|---------|
| Sales                            | 2 991   | 3 118   | 740    | 778    | 2 988   |
| EBITDA                           | 204     | 172     | 41     | 21     | 224     |
| Depreciation & impairment losses | -452    | -388    | -282   | -197   | -274    |
| Operating profit                 | -248    | -216    | -241   | -176   | -50     |

| <b>Wood products</b>             | I-IV/07 | I-IV/06 | QIV/07 | QIV/06 | I-IV/05 |
|----------------------------------|---------|---------|--------|--------|---------|
| Sales                            | 1 399   | 2 045   | 321    | 482    | 1 986   |
| EBITDA                           | 134     | 173     | 12     | 60     | 111     |
| Depreciation & impairment losses | -47     | -66     | -13    | -14    | -85     |
| Operating profit                 | 87      | 107     | -1     | 46     | 26      |

EBITDA = Result before depreciation and impairment losses

| <b>Others</b>                 | I-IV/07 | I-IV/06 | QIV/07 | QIV/06 | I-IV/05 |
|-------------------------------|---------|---------|--------|--------|---------|
| Operating profit              | 55      | 71      | 28     | 25     | 10      |
| of which                      |         |         |        |        |         |
| Wood Supply                   | 38      | 44      | 7      | 14     | 33      |
| Tissue and Cooking Papers     | 35      | 19      | 13     | 5      | 24      |
| Others and Group eliminations | -18     | 8       | 8      | 6      | -47     |

M-real includes 30% (2006: 39%) of the Pulp Industry's (Metsä-Botnia) operating profit and Metsäliitto a further 23% (2006: 14 %) in the segments Consumer Packaging and Papers.

| <b>Production</b>                         | I-IV/07 | I-IV/06 | QIV/07 | QIV/06 | I-IV/05 |
|-------------------------------------------|---------|---------|--------|--------|---------|
| 1 000 units                               |         |         |        |        |         |
| Paper, t                                  | 3 935   | 4 119   | 949    | 1 000  | 3 985   |
| Paperboard, t                             | 1 210   | 1 121   | 294    | 279    | 985     |
| Sawn goods, m <sup>3</sup>                | 1 837   | 3 893   | 404    | 885    | 4 136   |
| Processed timber, m <sup>3</sup>          | 580     | 1 179   | 111    | 268    | 1 181   |
| Engineered Wood -products, m <sup>3</sup> | 849     | 935     | 197    | 228    | 990     |
| Pulp & CTMP, t (M-real)                   | 1 679   | 1 754   | 400    | 449    | 1 533   |
| Pulp, t (Metsä-Botnia)                    | 2 616   | 2 520   | 593    | 654    | 2 177   |
| Sawn goods, m <sup>3</sup> (Metsä-Botnia) | 188     | 164     | 32     | 54     |         |

Unaudited

| <b>Quarterly data<br/>(EUR mill.)</b>      | 2007<br>QIV  | 2007<br>QIII | 2007<br>QII  | 2007<br>QI   | 2006<br>QIV  | 2006<br>QIII | 2006<br>QII  | 2006<br>QI   |
|--------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Sales</b>                               |              |              |              |              |              |              |              |              |
| Consumer Packaging                         | 225          | 231          | 242          | 236          | 241          | 236          | 237          | 257          |
| Papers                                     | 740          | 740          | 732          | 779          | 778          | 767          | 772          | 801          |
| Wood Products                              | 321          | 338          | 386          | 354          | 482          | 499          | 555          | 510          |
| Others & internal sales                    | 583          | 604          | 558          | 600          | 594          | 494          | 495          | 532          |
| <b>Group sales</b>                         | <b>1 869</b> | <b>1 913</b> | <b>1 918</b> | <b>1 969</b> | <b>2 095</b> | <b>1 996</b> | <b>2 059</b> | <b>2 100</b> |
| <b>Operating profit</b>                    |              |              |              |              |              |              |              |              |
| Consumer Packaging                         | 3            | 35           | 12           | 29           | 5            | 21           | 5            | 27           |
| Papers                                     | -241         | 29           | -7           | -29          | -176         | 7            | -64          | 17           |
| Wood Products                              | -1           | 20           | 41           | 27           | 46           | 21           | 26           | 14           |
| Others                                     | 28           | 8            | 18           | 1            | 25           | 16           | 14           | 17           |
| <b>Group operating profit</b>              | <b>-211</b>  | <b>92</b>    | <b>64</b>    | <b>28</b>    | <b>-100</b>  | <b>65</b>    | <b>-19</b>   | <b>75</b>    |
| - % of sales                               | -11.3        | 4.8          | 3.3          | 1.4          | -4.8         | 3.3          | -0.9         | 3.6          |
| <b>Share of results</b>                    |              |              |              |              |              |              |              |              |
| in associates                              | 7            | 2            | 1            | 2            | 2            | 2            | 2            | 0            |
| Net exchange gains / losses                | 5            | 0            | 1            | -5           | -1           | 3            | -5           | 8            |
| Other fin. income & expenses               | -66          | -59          | -45          | -58          | -58          | -56          | -41          | -42          |
| <b>Result before tax</b>                   | <b>-265</b>  | <b>35</b>    | <b>21</b>    | <b>-33</b>   | <b>-157</b>  | <b>14</b>    | <b>-63</b>   | <b>41</b>    |
| Income taxes                               | 36           | -16          | -25          | -18          | 7            | -19          | 0            | -23          |
| <b>Result from continuing operations</b>   | <b>-229</b>  | <b>19</b>    | <b>-4</b>    | <b>-51</b>   | <b>-150</b>  | <b>-5</b>    | <b>-63</b>   | <b>18</b>    |
| <b>Result from discontinued operations</b> | <b>56</b>    | <b>-2</b>    | <b>-1</b>    | <b>2</b>     | <b>-61</b>   | <b>-2</b>    | <b>2</b>     | <b>2</b>     |
| <b>Net result for the period</b>           | <b>-173</b>  | <b>17</b>    | <b>-5</b>    | <b>-49</b>   | <b>-211</b>  | <b>-7</b>    | <b>-61</b>   | <b>20</b>    |

Unaudited

| <b>Change in tangible assets</b>          | I-IV/07 | I-IV/06 |
|-------------------------------------------|---------|---------|
| Book value at beginning of period         | 4 197   | 4 256   |
| Company acquisitions                      | 22      | 92      |
| Increase                                  | 430     | 693     |
| Decrease                                  | -72     | -600    |
| Depreciation and impairment charges       | -480    | -530    |
| Assets classified as held for sale        | 0       | -28     |
| Translation differences and other changes | -76     | 315     |
| Book value at end of period               | 4 021   | 4 197   |

  

| <b>Commitments</b>                        | QIV/07 | QIV/06 |
|-------------------------------------------|--------|--------|
| On own behalf (incl. leasing liabilities) | 330    | 408    |
| On behalf of associated companies         | 5      | 5      |
| On behalf of others                       | 5      | 3      |
| Total                                     | 340    | 416    |

  

| <b>Commitments related to fixed assets</b> | QIV/07 | QIV/06 |
|--------------------------------------------|--------|--------|
| Payments due under 1 year                  | 38     | 195    |
| Payments due in subsequent years           | 7      | 20     |

  

| <b>Open derivative contracts</b> | QIV/07 | QIV/06 |
|----------------------------------|--------|--------|
| Interest rate derivatives        | 1 693  | 2 377  |
| Currency derivatives             | 3 268  | 3 838  |
| Other derivatives                | 160    | 173    |
| Total                            | 5 121  | 6 387  |

The market value of open derivative contracts at the end of the review period was EUR 29 million (31.12.2006: EUR -4 million). Open derivative contracts also include closed contracts to a total amount of EUR 793 million (31.12.2006: EUR 871 million).

## Accounting policies

The Financial Statements Bulletin was prepared in accordance with the IAS 34 standard Interim Financial Reporting and the accounting policies presented in Metsäliitto Group's Annual Report 2006.

Taxes include taxes corresponding to the result for the period under review.

## *New and changed standards*

IFRS 7 Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, 'Presentation of Financial Statements - Capital Disclosures', effective from 1 January 2007. The adoption of this new standard will result in additional disclosures relating to financial instruments but does not affect their classification or valuation.